GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:728
ANSWERED ON:24.07.2015
Cooperative Banking Sector
Arunmozhithevan Shri A.

Will the Minister of FINANCE be pleased to state:

(a) whether the cooperative banking sector is facing three major issues and the sector is not able to utilise its full potentials;

(b) if so the details thereof;

(c) whether the Y.H. Malegam committee had given certain recommendations including establishing a Board of Management for the cooperative banks in this regard;

(d) if so, the details thereof and whether the Government is considering to insist the cooperative banks to implement the said committee"s recommendations; and

(e) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance
(Shri Jayant Sinha)

(a) & (b):- As regards Rural Cooperative Banking Sector, National Bank for Agriculture & Rural Development (NABARD) has informed that the Short Term Cooperative Credit Structure (STCCS) is facing issues, such as need for higher professionalism in management, Governance related issues, dual control over rural cooperative banks, late technology adoption, weak capital base, impaired asset quality, low recovery of loans leading to increase in Non-Performing Assets, low profitability, etc.
As regards Urban Cooperative Banking Sector, Reserve Bank of India (RBI) has reported that the deposits and advances of Urban Cooperative Banks (UCBs) have grown at the rate of 14% and 10.3% respectively from 31.03.2013 to 31.03.2014 and their gross NPA has come down from 6% to 5.7% during the said period. Besides, the priority sector advances of UCB Sector was 48.9% of total advances as on 31.03.2014.

(c) to (e):- The Expert Committee on Licensing of New Urban Co-operative Banks (Malegam Committee) had, inter alia, recommended the establishment of Board of Management in addition to Board of Directors. RBI has reported that a High Powered Committee under the chairmanship of Shri R. Gandhi, Deputy Governor, RBI has been constituted, which has been mandated, inter alia, to look into the following aspects:

(i) whether the time is opportune to give license to new UCBs as per the recommendations of Malegam Committee and if so the modalities of taking forward the recommendations of Malegam Committee;

(ii) Determine the modalities of implementing the suggestion of the Malegam Committee that 50 per cent in value of deposits should be held by voting members to assure that confidence regarding proper management is generated among investors. Alternatively propose a feasible structure that puts majority voting in the hands of contributors of funds.
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